

## Canfin Homes

|                                | Amount         | Rating Action  |
|--------------------------------|----------------|--|
| Long Term Bank Lines           | Rs. 3875 Crore | [ICRA]AAA Reaffirmed , outlook revised from stable to negative |
| Subordinated Debt Programme    | Rs. 300 Crore  | [ICRA]AAA Reaffirmed , outlook revised from stable to negative |
| Non Convertible Debt Programme | Rs. 2500 Crore | [ICRA]AAA Reaffirmed , outlook revised from stable to negative |
| Commercial Paper Programme     | Rs. 2500 crore | [ICRA]A1+ Reaffirmed   |
| Short Term Bank Lines          | Rs. 900 Crore  | [ICRA]A1+ Reaffirmed   |
| Fixed Deposits Programme       | -              | MAAA Reaffirmed , outlook revised from stable to negative      |

ICRA has reaffirmed the [ICRA]AAA (pronounced ICRA triple A) rating on the Rs 3875 crore bank lines, Rs 2500 crore Non Convertible Debenture Programme , Rs 300 crore Subordinated Debt Programme of Canfin Homes Limited . The outlook on the long term rating has been revised from stable to negative.

ICRA has also reaffirmed the rating of fixed deposits programme of CFHL at MAAA (pronounced M triple A). The outlook on the fixed deposits rating has been revised from stable to negative. ICRA has reaffirmed the [ICRA]A1+ (pronounced ICRA A one plus) rating to the Rs. 2,500 crore Commercial Paper programme and Rs 900 crore Short Term Bank lines of the company.

The revision in outlook follows revision in outlook for long term debt programme of Canara Bank. The outlook for long term bonds programme for Canara Bank, CFHLs sponsor has been revised from stable to negative therefore the ratings for CFHLs Lower Tier 2 bonds programme stand at [ICRA]AAA(negative). Given that CFHL receives the management, capital and funding support CFHL from its sponsor Canara Bank, CFHLs ratings would continue to be driven by CFHL's importance for Canara Bank, as well as Canara Banks credit profile and rating.

The rating continues to positively factor in CFHLs focus on relatively low risk 'salaried home loans' segment (85% of portfolio as on Sept-15 was towards individual housing loans (average ticket size of approximately Rs. 18 lakhs) of which more than 75% was towards salaried segment) and good loan underwriting and appraisal norms which have enabled the company to maintain good asset quality indicators (Gross NPA% of 0.29% as on September 30, 2015) and good profitability indicators (CFHL's profitability indicators were good (Return on Equity (ROE) of 14% in 2014-15 and 16.5% in H1FY16).

As for funding, the company has diversified its funding mix over last 18 months, by increasing the share of debt market instruments\* in its resource profile (share of debt market funding increased from 5% in Mar-14 to 37% in Sept-15). CFHL's liquidity profile was adequate supported by access to long-tenure borrowings (average maturity of 7-8 years) to match the duration of its assets (average maturity of around 10 years) as well as access to unutilised bank lines to plug the mismatches. As for capitalisation, capital infusion of Rs. 276 crore through rights issue in February 2015 enabled the company to maintain its capitalisation indicators despite high pace of growth (Gearing levels of 9.66 times as on September 30, 2015). Going forward, the company plans to grow its portfolio at a Compounded Annual Growth Rate (CAGR) of 30-35% over the medium term, and would require Rs. 300-500 crore external capitals to meet its growth plans (40-60% of the present net worth). Given CFHLs strong parentage, CFHLs ability to recapitalise is high. Overall, ability of the company to

\* Includes both CP and NCDs



maintain its asset quality and prudent capitalisation levels on a growing book would remain a key rating sensitivity.

#### **About the Company**

CFHL was promoted by Canara Bank, HDFC and UTI in 1987. Canara Bank held 43.45% equity stake in the company as on September 30, 2015 with the balance shareholding fairly diversified amongst corporate and retail shareholders. CFHL operates through a nation-wide network of around 110 branches and 26 satellite offices as on September 30, 2015. CFHL reported a Profit after Tax (PAT) of Rs. 86.24 crore on an asset base of Rs. 8,334 crore for FY15 vis-a-vis PAT of Rs 75.71 crore on an asset base of Rs. 5,912 crore for FY14. CFHL reported a Profit after Tax (PAT) of Rs. 67.48 crore on an asset base of Rs. 9.412 crore for H1FY16 vis-a-vis PAT of Rs 37.41 crore on an asset base of Rs. 6,395 crore for H1FY15. CFHL reported Gross NPA% of 0.29% as on September 30, 2015 and Capital Adequacy Ratio of 17.23% as on September 30, 2015.

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